

PPL Electric Utilities Corporation
Generation Supply Shopping by CAP Participants

I. Background

Begun in 1994, the OnTrack payment program is PPL Electric's Customer Assistance Program, or "CAP." As of December 31, 2011, there were 34,308 active OnTrack accounts. Customers participating in OnTrack receive reduced electric bills, arrearage forgiveness and referrals to other assistance programs (e.g., weatherization). OnTrack participants also have the ability to shop for generation supply; approximately 46% (nearly 16,000 customers) of the total have selected various suppliers as of year-end 2011.

II. Referrals to OnTrack

When residential customers with overdue balances call PPL Electric to discuss their bills, the Company's Customer Service Reps ("CSRs") attempt to establish payment agreements. As part of this process, the CSR obtains basic information about household income and expenses. If the household is income eligible for OnTrack¹ and there has not been a program referral within the past 30 days, PPL Electric's customer information system automatically refers the customer to OnTrack.

The customer receives a letter from PPL Electric about OnTrack and the appropriate administering agency receives an electronic notification about the program referral. Agency staff then attempts to contact the customer (telephone and/or letters) to start the enrollment process. The customer must provide proof of household income; almost all customers do so by U. S. mail. The agency caseworker reviews account information and establishes a payment agreement. To provide a payment agreement that best meets the customer's ability to pay, the OnTrack caseworker can select from four different payment types (e.g., percent of bill or percent of income). The customer receives a Customer Agreement/Authorization form from the OnTrack agency explaining the monthly payment amount and the other requirements associated with the program.

III. OnTrack Shopping Process

Basic Rules

The primary requirements associated with OnTrack and shopping for generation supply are as follows:

1. OnTrack participants must follow the normal procedures for selecting or dropping a generation supplier.

¹ Income at or below 150% of the federal poverty level

2. There must be a shopping savings of \$5 monthly for non-heating customers and \$10 monthly for heating accounts to reduce the OnTrack payment amount.
3. If an OnTrack customer selects a supplier that has a price significantly higher than PPL Electric's price to compare, the customer must pay the difference as part of his or her OnTrack bill. This provision applies if the extra amount is \$5 more (non-heating) or \$10 more (heating customers).
4. OnTrack participants and residential customers will share the shopping savings by a ratio of 60:40. For example, if the annual savings were \$120, the customer would receive \$72 (60% or \$6/monthly) and other customers \$48 (40% or \$4 monthly) through a reduction of PPL Electric's Universal Service Rider.²
5. If customers drop their suppliers, or suppliers drop them, and customers return to POLR service, the OnTrack agency will re-establish the original payment amount at time of annual re-certification. Note: This payment amount could differ from the original payment amount if, at time of re-certification, there were changes in the household's circumstances.
6. For all OnTrack participants, including those who have selected a generation supplier, the minimum payments for heating customers and non-heating customers will not be set lower than \$30 and \$12, respectively.³
7. PPL Electric will make adjustments to payment amounts only for customers who shopped after their OnTrack enrollment date.

Identification of Shoppers

To identify OnTrack participants who have selected a generation supplier, PPL Electric runs a monthly report to produce a list of customers who have selected a supplier after their OnTrack enrollment date. The Company has contracted with an outside billing service provider (PPL Solutions) to analyze the accounts to determine if OnTrack customers have reached the monthly savings threshold of \$5 (non-heating) or \$10 (heating).

If customers have achieved the monthly savings amount, PPL Solutions manually cancels the current OnTrack payment agreement, enters a new (reduced) payment amount, and informs the customer by letter about the new payment amount. To calculate the generation savings amount, PPL Electric uses 75% of the average bill amount. It is important to note that, although the shopping and enrollment process for

² PPL Electric uses the reconcilable USR to recover costs for OnTrack and WRAP (the Company's low-income weatherization program).

³ These minimum amounts align with the Commission's CAP Policy Statement.

OnTrack customers is the same as for any customer, the process of setting up the billing amount is entirely manual for the Company. Incremental costs to enable OnTrack customers to shop arise from (1) recalculations done other than during the annual certification and (2) the added time required to perform a more complex annual recertification. The Company has not quantified these additional costs.

Savings Calculation

For illustrative purposes, the following shows an example of calculating savings for a heating customer. This same calculation procedure would apply to non-heating customers as well.

The OnTrack customer has electric heat, uses 22,000 kWh annually and selected a generation supplier that had a price of \$0.06492 per kWh. PPL Electric's price to compare is \$0.07769, and the customer's OnTrack payment amount is \$115.

1. Since generation typically represents 75% of a residential bill, the annual kWh amount for generation is 16,500 kWh (22,000 kWh x 75%).
2. To determine the savings amount, multiply the generation kWh by the supplier's charge and by PPL Electric's price to compare: 16,500 kWh x \$0.06492 = \$1,071 (supplier charge) and 16,500 kWh x \$0.07769 = \$1,282 (PPL Electric's charge).
3. The total annual savings is \$211 (\$1,282 - \$1,071). Since customers receive 60% of the savings, the annual amount is \$127 (\$211 x 60%). When divided by 12, this represents a savings of \$11 monthly (\$127/12).
4. The OnTrack participant's new payment amount after shopping is \$104 (\$115 minus \$11).

IV. Current Situation

Currently, there is a minimal difference between PPL Electric's price to compare for residential customers and the prices offered by the various suppliers. As a result, OnTrack customers have been unable to achieve the monthly savings thresholds of \$5 (non-heat) and \$10 (heating). Nevertheless, OnTrack customers can still shop for generation supply, and the percentage of customers who have shopped has increased slightly over the past year. The benefit of their shopping, until such time as savings amounts increase, flows to the entire residential customer base as smaller unpaid amounts which result in a Universal Service Rider that is lower than it would be otherwise.

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